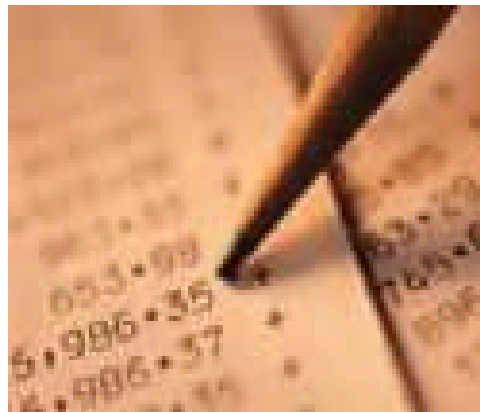


The Trading System That Wall Street Insiders Don't Want You To Know About



The Best System To Manage Your Investment Portfolio

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Foreword

The best thing about this guide – is that most people won't believe it. Or, believing it won't have the patience to follow the rules.

Yet unlike most 'systems' meant to exploit anomalies in the market, this system will likely retain at least a good deal of its validity even if it becomes widely followed.

As President of Trinity Capital Management, LLC, I have become successful from shrewd investing for myself and my clients (not from selling books).

I have always had success in trading by following just one rule... keep it simple. My methodology is not trying to sort through the information-overload barrage we are confronted with daily, but rather by looking for those few clues that are ignored by most (even astute professionals) investors and money managers.

The technique for using this system takes five minutes, once a day, to monitor and involves buying or selling a single security. It has the potential to return more profits than any other long term system I have ever created.

"Past performance is no guarantee of future success," but the numbers are real. Since I started trading this system in September of 2001 it has provided over 30% compounded annual gains (the date of this writing May 10, 2006). These are REAL returns during one of the largest market breakdowns of our time. There's no curve-fitting or exotic formulas and you can look at all of the past data and decide if this is for you. I have back-tested the signals to the early 1980's and the results are even better.

The first question everyone asks is "If this is so good, why are you telling everybody about it?" Trinity Capital Management, LLC (TCM) is in the business of helping people. We manage money for some high profile individuals and institutions. However, the majority of the public have their funds tied up in a 401K program and do not have the tools to avoid losing money when the stock market drops. Some may need assistance with an IRA rollover at some point and when those individuals need/want someone to assist in managing their assets, we hope they contact us first.

Have fun investing.

David Lockard
President
Trinity Capital Management, LLC

Introduction

This guide was originally inspired to give each of my children a gift. If I could teach them how to make money for themselves, then I would be giving them a great gift. Everyone has heard the saying, “If you give a man a fish you’ve fed him for the day, but if you show him how to fish he’ll be fed for a lifetime”. I’m doing just that. My company provides investment money management for customers who don’t have the time to manage their own portfolios. With this guide I’m offering the knowledge to individual investor’s who want to take control in creating their own wealth.

After more than 10 years of investing professionally, I’m convinced of two things:

1. If you really want to ‘beat the market,’ most professionals and academics can’t help you, and
2. That leaves only one real alternative: You must do it yourself.

Luckily, that might not be such a bad thing. As crazy as this may be, you can learn how to beat the market. Did you know that 90% of money managers cannot consistently beat the market? With the information in this book you will have the tools to outperform the professionals. You can do this with low risk. The formula has worked for many years and will continue to work even after everyone knows it. Although the formula is easy to use and will not take much of your time, it will work for you only if you fully understand why it works.

Along the way, you will learn:

- How to view the stock market
- Why success eludes almost all individual and professional investors
- How you can beat the market all by yourself

The truth is that you don’t need an MBA to beat the market. Knowing lots of sophisticated formulas or financial terms isn’t what makes the difference. Understanding the simple concepts in this guide... is.

Chapter One

I've been trading and hanging around trading circles since high school. One of the sad realities of the trading industry is that there are far more people making money selling others' systems and 'ways to make money trading,' than there are people actually making money trading.

I won't go into specifics here, but those of us who actually trade for a living know the names of many 'famous traders' who are famous as 'traders,' but that don't make money as traders. They make money selling new trading systems, seminars, home study courses, etc. Most of these so called 'experts' can't trade and don't trade the systems that they sell.

Here at Trinity Capital Management, LLC, we utilize many proprietary trading systems to create wealth for our clients. The information in the guide you're reading has been used by me for years and it produced great returns.

Note: I do not use this system for our clients. As you do your own due diligence you will notice that the draw-downs are too large for institutional firms.

Trading rules are only a small part of successful trading. The most important aspects of successful trading are confidence, consistency, and discipline. Rules that you can't or won't follow will not do you any good.

You will have a lot of reasons to be confident in the rules you will be given. You will have the confidence to follow them even during losing periods. You will have the confidence because you are given the rules by a successful money management company. On a whole, you will have the confidence and the discipline to consistently apply the rules you will be given. This is the secret to your success.

Those who fail to follow the rules will invariably fail as traders.

Chapter Two

Most successful traders use a mechanical trading system. This is no coincidence.

A good mechanical trading system automates the entire process of trading. The system provides answers for each of the decisions a trader must make while trading. The system makes it easier for a trader to trade consistently because there is a set of rules which specifically define exactly what should be done. The mechanics of trading are not left up to the judgment of the trader.

If you know that your system makes money over the long run, it is easier to take the signals and trade according to the system during periods of losses. If you are relying on your own judgment during trading, you may find that you are fearful just when you should be bold and courageous when you should be cautious.

If you have a mechanical trading system that works, and you follow it consistently, your trading will be consistent despite the inner emotional struggles that might come from a long series of losses, or a large profit. The confidence, consistency, and discipline afforded by a thoroughly tested mechanical system are the key to many of the most profitable traders' success.

The rules in this book cover every aspect of trading, and left no decisions to the subjective trader. It has every component of a complete trading system.

Chapter Three

This little system requires five minutes of your time, once a day. In those five minutes you will decide to buy, sell or hold a single very liquid stock issue that is widely traded, has small spreads and is available through any discount broker in America. If you have all your money in an IRA you will treat this transaction a little differently, pay no commissions and end up with a tax free transaction.

Let's discuss the components of this system.

Technical analysis has been around for decades, over the years there have been several indicators devised by professors, brokers, analysts and others... some of them more effective and popular than others.

The moving average is one of the most useful, objective and oldest analytical tools around. Some patterns and indicators can be somewhat subjective, where analysts may disagree on if the pattern is truly forming or if there is a deviation that is might be an illusion. The moving average is more of a cut-and-dry approach to analyzing stock charts and predicting performance, and it is one of the few that doesn't require a genius to interpret.

The moving average is an indicator that shows the average value of a security's price over a period of time. To find the 50 day moving average you would add up the closing prices (but not always...more later) from the past 50 days and divide them by 50. And because prices are constantly changing it means the moving average will move as well.

The most commonly used moving averages are the 20, 30, 50, 100, and 200 day averages. Each moving average provides a different interpretation on what the stock price will do. There really isn't just one "right" time frame. Moving averages with different time spans each tell a different story. The shorter the time span, the more sensitive the moving average will be to price changes. The longer the time span, the less sensitive or the more smoothed the moving average will be. Moving averages are used to emphasize the direction of a trend and smooth out price and volume fluctuations or "noise" that can confuse interpretation.

The general assumption behind all moving averages is that once the stock price moves above the average it is worth buying. The opposite is true if the price of a security moves below the moving average. It's a pretty simple approach to technical analysis, perhaps the simplest of them all, but plain and simply it works, and it is the base for many other much more complicated indicators.

20 day - provides a very volatile, choppy line. It isn't the most accurate, but is probably

the most useful for short term traders.

30 day - similar to 20 day but provides a bit more certainty for the trend.

50 day - moving averages provide a much less volatile, smooth line. This can be used to detect somewhat longer term trends.

100 day - similar to the 50 day, it is less volatile, and one of the most widely used for long term trends.

200 day - even less volatile, more of a rolling chart or smooth line. It doesn't react to quick movements in the stock price.

Different investors use moving averages for different reasons. While some use it as their primary analytic tool others simply use the moving average as confidence builder to back their investment decisions. Here is one strategy that this system utilizes:

Crossovers: There are several different types of crossovers, but all of them involve two or more moving averages. In a double crossover you are looking for a situation where the shortest MA crosses through the longer one. This is almost always considered to be a buying signal since the longer average is somewhat of a support level for the stock price.

The third component to this system is the S&P 500. The S&P 500 is an index consisting of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large-cap universe.

Companies included in the index are selected by the S&P Index Committee, a team of analysts and economists at Standard & Poor's. The S&P 500 is a market-value weighted index - each stock's weight in the index is proportionate to its market value.

A number of financial products based on the S&P 500 are available to investors. These include mutual funds and exchange traded funds (ETFs). However, it would be difficult for individual investors to buy the index, as this would entail buying 500 different stocks.

Chapter Four

In order to maximize the strategy, we must utilize shorting. Many people are opposed to shorting... just on principle. They think it is un-American, they just don't understand the concept at all, or don't like the idea of selling something they don't own. Shorting a stock has its own special risks that need to be understood and is not feasible within an IRA/401K program for retirement funds.

Many people don't like the idea of using margin in investments. Shorting requires, under SEC regulation, that you use margin capital for short trades.

I won't go into the full textbook description of shorting, but try and hit the salient points that affect us. If you short the actual stock, you are normally required to be responsible to 'pay' the person from whom you borrowed the stock, any dividends or distributions that occur during the time that you short the stock.

Another problem with shorting can be liquidity and stock availability for shorting... someone has to be willing to 'loan' you the stock. This is not a problem with the S&P 500 because of their great liquidity and narrow spreads.

During the past 10 years there has been a proliferation of Mutual Funds that operate as 'contra' funds. That is, if you believe a particular Index is going down, you can buy a 'Bear' proxy that will actually increase in value as the index falls.

These offerings are also available as index tracking products that go up when the index goes up.

So whether you want to bet on a decline or a rally, you BUY an equity... just a different one within the family that tracks profitably of the move you anticipate.

Profunds, Potomac, Rydex and others all have Bull and Bear funds which operate in this way.

How does this help with the requirement for margin?

The three aforementioned organizations offer 'ULTRA' versions of the Bull and Bear funds that actually try for a benchmark of twice the move of the index, either up or down. If you use these funds you get the benefit of a fully margined stock with none of the downside or responsibility for dividends if short, in fact you are the owner, so you receive the dividends.

Normally with short term trades, we would assume a 37% tax bracket, which is really going to cut down on the cumulative compounding. You could get around the tax hurdle if you could trade tax deferred in an IRA or 401K plan, but IRA accounts won't let you short a stock.

The contra funds:

1. Give you the gains without having to short.
2. Have a two to one return whether you are long or short.
3. Can be tax deferred in an IRA/401K... you are buying an equity.

Now you have the whole picture.

Here are some of the current funds that can be used with this strategy. Read their prospectus on their websites. We are not allowed to and do not endorse a fund. They generally have liberal exchange rules and if you are investing with the fund itself, generally they do not have fees or commissions to switch positions when it comes time.

POTOMAC- (Goal 1.5 x SP change)

<http://www.potomacfunds.com>

U.S. Plus Fund (Bull) PSPLX

U.S. Short Fund (Bear) PSPSX

PROFUNDS- (Goal 2x SP change)

<http://www.profund.com>

UltraBull ProFund (Bull) ULPIX

UltraBear ProFund (Bear) URPIX

RYDEX-(Goal 2 x SP change)

<http://www.rydexfunds.com>

Titan 500 Fund (Bull) RYTNX

Tempest Bear Fund (Bear) RYTPX

Chapter Five

Okay, let's wrap this all up into one high-powered system. We have all the components necessary to make money. Let's implement this system, step by step.

1. Start your initial position by using 20% to 30% of your money you intend to invest in your first year.
2. You should short the S&P 500 when the 100 exponential moving average (EMA) crosses below the 200 EMA on the S&P 500 (^GSPC) chart. (Purchase one of the Bear Funds listed in the previous chapter.)
3. If your position is short and the 100 EMA crosses above the 200 EMA, establish a long position.
4. Adding to the position: Whether you're position is long or short, add to your position when the S&P 500 hits its 200 EMA. Add another 20% to 30% of your intended investment money.
5. Continue this process for many years. Remember, you must be committed to continuing this process for a minimum of three to five years, regardless of results. Otherwise you will most likely quit before the system has a chance to work.

The moving averages will let us know if the market is trending up or down. It's that simple... you are a long-term trend trader investing in securities that are entirely diversified.

Is this system going to continue to work in the future? Unfortunately, one thing I'm not saying is that using this system for your investments going forward will guarantee results similar to the stellar performance of the past. I can't know that. But I can say this: I believe that using this system and the principles behind it to guide your future investments will remain one of your very best investment alternatives. I believe that if you are able to stick with this strategy through good and bad, you will handily beat the market averages over time. In short, I believe that, even after everyone knows this system, your results will continue to be not only satisfactory, but extraordinary.

Although, knowing these rules is not enough to make you rich. You have to be able to follow them.

Many people will not make money using this system. This is not because the system doesn't work; it is because people will not follow the rules. It's not that the rules are hard to follow, but they won't have the confidence to follow them.

Some people will find it difficult to follow because many months can pass between winning periods; at times a year or two. During these periods it is easy to come up with reasons to doubt the system, and to stop following the rules:

- What if the rules don't work anymore? What if the markets have changed?
- What if there is something missing from the rules?
- How can I be really sure that this works?

Another problem is the tendency to want to change the rules. Many people, in an effort to reduce the risk of the trading system will change the rules in subtle ways which may have an opposite desired effect.

It is much easier to weather an eight month losing period if you know that there have been many periods of equivalent length in the last several years. It will be much easier to add to positions quickly if you know that adding quickly is a key part of the profitability of the system.

As this system becomes well known, I believe it will continue to work because you are not going to change the market because you are not trading the issues that the signals are derived from... you couldn't afford to own them.

If you want to become a trader, you must start to trade. There is no substitute. You must also make mistakes.

Making mistakes is part of trading. If you don't start trading using actual money and enough money that it affects you when you win or lose – you won't learn all the lessons of trading.

Paper trading is not a substitute for trading with real money. If you aren't using real money, you won't learn how hope, fear, and greed affect you personally.

At the same time, it is important to get a thorough understanding of the fundamentals of trading. Armed with this knowledge you will make fewer mistakes, and you will learn much more quickly from the mistakes that you do make.

The usual legal stuff our attorneys make us say:

The financial markets are risky. Investing is risky. Past performance does not guarantee future performance. The foregoing has been prepared solely for informational and educational purposes and is not a solicitation, or an offer to buy or sell any security. Opinions are based on historical research and data believed reliable, but there is no guarantee that future results will be profitable.

Trinity Capital Management, LLC does not represent itself as acting in the position of an investment advisor or investment manager for funds that are not under their direct control and fiduciary responsibility.